

Message Text

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PAGE 01 CONAKR 01705 231742Z

61

ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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R 231605Z AUG 76

FM AMEMBASSY CONAKRY

TO SECSTATE WASHDC 2245

INFO AMEMBASSY OTTAWA

AMEMBASSY PARIS

C O N F I D E N T I A L CONAKRY 1705

E.O. 11652: GDS

TAGS: EMIN PFOR PGOV GV US FR CA

SUBJECT: TROUBLES IN CBG BAUXITE COMPANY

REF: (A) STATE 205479, (B) CONAKRY 1636

1. HALCO CHAIRMAN MICHEL JAOUL AND CBG PRESIDENT
GUY ARNAUD MET WITH MOUSSA DIAKITE 20 AUGUST AND SEKOU
TOURE 21 AUGUST.

2. GUINEANS MADE FOLLOWING POINTS:

A) INVESTIGATION HAS NOT SUBSTANTIATED SHIPLEY'S
CHARGES AGAINST ARNAUD, BUT CASE IS NOT YET CLOSED.
SHIPLEY HIMSELF IS OUT OF FAVOR AND SHOULD BE REPLACED.
B) GUINEANS WISH TO PLAY MORE DIRECT ROLE IN
MANAGEMENT OF COMPANY. ORIGINAL STATUTES, UNDER WHICH
HALCO (PRIVATE SHAREHOLDERS' CONSORTIUM) WAS DOMINANT
WERE SUITABLE FOR CONSTRUCTION PERIOD BUT NOT FOR
LONGER TERM OPERATIONS. SHIFT OF AUTHORITY FROM HALCO
TO CBG MUST NOW BE ARRANGED, AND GOG REPS WILL BE
VIROROUS WITHIN CBG.

C) SERVICES INCLUDING SPECIFICALLY
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PAGE 02 CONAKR 01705 231742Z

ACCOUNTING AND PURCHASING MUST BE TRANSFERED FROM HALCO

PITTSBURGH TO CBG GUINEA.

D) CBG BOARD MEETING WILL BE HELD OCT 20

IN CONAKRY AND GOG INTENDS TO RESOLVE THESE QUESTIONS.

3. DURING DISCUSSIONS GUINEANS SAID THAT SOVIET OBK BAUXITE OPERATION WAS STILL PAYING NO EXPORT TAX AND THAT GOG WAS LOSING PATIENCE. GUINEANS WERE FURIOUS TO LEARN FROM JAOUL THAT PECHINEY WILL BUILD ALUMINA REFINERY FOR SOVIET GOVERNMENT APPARENTLY BASED UPON UNDERPRICED OBK BAUXITE.

4. COMMENT: MEETINGS WERE CORDIAL. TOURE COMMENTED UPON FRENCH (JAOUL AND ARNAUD) REPRESENTATION OF US/ CANADIAN INTERESTS BUT THIS SEEMED TO CAUSE NO PROBLEM. TOURE WAS FORCEFUL IN DEMANDING ENLARGED GUINEAN MANAGERIAL ROLE, WHICH COMPANIES WILL HAVE TO ACCORD. JAOUL FEELS THIS SHIFT IS ADVISABLE POLITICALLY IN ANY CASE AND THAT RESULTANT LOWERING OF EFFICIENCY WILL BE MANAGEABLE. JAOUL IS IMPRESSED BY NEED FOR MORE FRE- QUENT VISITS TO GUINEA BY SHAREHOLDER REPRESENTATIVES TO IMPROVE COMMUNICATIONS WITH GOG. HE IS RIGHT. PROBLEMS CAUSED BY ARNAUD/SHIPLEY CONFLICT NOW PROMISE TO BE OVERCOME AMICABLY, WITH RESULT OF SPEEDING GUINEANIZATION OF CBG. ANTICIPATE GOG WILL WANT ARNAUD REPLACED BEFORE LONG. HARROP

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